

Agenda Item: 11-7

Meeting Dates: August 11 and 12, 2004

10-YEAR FINANCE PLAN

Summary: Authority staff will provide an update on the development of the 10-Year Finance Plan.

Recommended Action: This is an informational item only. No action will be taken.

Background

The Authority, with the recommendation and support of the Bay-Delta Public Advisory Committee (BDPAC), has directed staff to develop a specific 10-Year Finance Plan for the CALFED Bay-Delta Program. Authority staff, relying on the foundational information in the Draft Finance Options Report, and extensive stakeholder and agency input over the next few months, intends to present a final 10-Year Finance Plan to the Authority at its October meeting. The 10 Year Finance Plan Schedule and Process is summarized in Attachment 1.

The 10-Year Plan will include each of the following for each program element:

- Program Priorities
- Reasonable funding targets
- Available funding to meet the targets
- Unmet Needs/Funding gaps
- Finance Strategy – finance tools and funding levels to fill the gaps

Attachment 2 is a summary table showing initial funding targets, available funding, and unmet needs for all program elements. At the Authority meeting, in addition to discussing the information in Attachment 1 and 2, staff will provide information about preliminary funding strategies which is summarized below. A key part of developing a finance plan is to identify the beneficiaries and primary finance tools for each program or projects before discussing specific funding levels.

- *Surface Storage Planning*—Relies primarily on public funds but may need other funding if beneficiaries are willing to pay.
- *Surface Storage Construction* – Financing will be negotiated project-by-project and cost sharing agreements developed. No specific allocations will be proposed in this version of the Finance Plan because it is premature.
- *Groundwater Storage* – The grant program will likely continue to be primarily locally funded through cost sharing grants. Public funds would be provided for broader statewide benefits.
- *Conveyance* – Financing will be from South of Delta CVP and SWP contractors and public funds. Existing bond funds are available but primarily limited to South Delta projects.
- *Water Use Efficiency* – The grant program will likely continue to be locally funded through cost sharing grants with public funds for broader statewide benefits.
- *Drinking Water Quality* – Financing will likely be a mixture of public funding for research and broad public benefits; and local water user contributions from project cost sharing. There is also the possibility of a water user fee for some of the projects or programs.
- *Delta Levees* – Financing will likely include public (state and federal) funding, local cost shares, and possibly a new water user and boater fees.
- *Ecosystem Restoration* – Financing will include public funding (state and federal) possibly a new water user fee, CVP Restoration Funds, and local cost shares.
- *Environmental Water Account* – Financing will include both public (state/federal) funding and water user funding (possibly from a new water user fee).
- *Watershed* – Financing will include public funding, local costs shares and possibly revenue from a new water user fee.
- *Science* – Financing will likely include public funding and possibly an allocation from a mixture of funding sources that support all the program elements.
- *Oversight and Coordination* – Financing will likely be from public funding (state and federal).

List of Attachments

Attachment 1 – 10-Year Finance Plan; Proposed Schedule, Process and Work Products

Attachment 2 – 10-Year Funding Targets and Unmet Needs (July 2, 2004 version)

Contact

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**CALFED Bay-Delta Program
10-Year Finance Plan
Proposed Schedule, Process and Work Products
July 16, 2004**

Based on direction from the California Bay-Delta Authority (Authority) and the Bay-Delta Public Advisory Committee (BDPAC) and consistent with advice given by the Finance Plan Independent Review Panel, Authority staff has started the process of working with stakeholders and agencies to develop a 10-year finance plan for the CALFED Program. The proposed Finance Plan, which will be submitted to the Authority in October 2004 will be: (1) based on likely program actions over the next 10 years; (2) informed by agency and stakeholder views and information; and, (3) capable of delivering credible and durable financing mechanisms. The proposed strategy for engaging this issue over the next four months is detailed below. This approach is intended to be responsive to previous stakeholder and agency comments, but has not yet been fully vetted with stakeholders.

Key Meetings, Schedule and Expected Work Products

Below is a synopsis of the key meetings, schedule and expected work products for the next four months. The steps called out below are intended to satisfy two needs: (1) ensure stakeholder and agency representatives have input in the development of a 10-year plan; and (2) ensure a proposed plan is developed in time to meet necessary budgetary deadlines.

Initial funding targets and unmet funding needs – Draft information will be prepared by Program Element and task including: proposed annual funding targets for a 10-year period, identification of available funding and remaining unmet needs, and preliminary finance strategies that describe the type of finance tools likely to support each Element. (Note: These documents are expected to evolve into the eventual 10-year finance plan.)

- ***June Authority Meeting*** – A summary of expected cost estimates, available funding and unmet needs
- ***July 8 BDPAC Meeting*** – Updated funding targets and available funding, described process and schedule, and reviewed preliminary finance strategies as presented at the June Authority meeting.
- ***Late July/Early August*** – Public Finance meeting/workshop focused on funding targets, available funding, and preliminary finance strategies.
- ***August 11 & 12 Authority Meeting*** – Present revised funding targets, discuss preliminary finance strategies, review process and schedule, and highlight issues.

Finance Plan – A 1-2 page description will be developed for each Program Element that lays out: likely activities and associated funding targets; current funding available; likely funding gaps and specific proposed cost-sharing arrangements to cover the unmet funding needs. These brief summaries will also flag key issues to be resolved by October 2004.

- **August** – Public Finance meeting/workshop focused on cost sharing and funding targets for Program Elements.
- **August 31** – Initial deadline for comments on funding targets and cost sharing proposals in order for comments to be reflected in BDPAC September packet.
- **September 9th BDPAC Meeting** – Present revised funding targets, unmet needs and proposed cost sharing plans for 11 Program Elements. Discuss highlights and key issues.
- **September** – Public Finance meeting/workshop(s) focused on funding targets and cost sharing in preparation for October Authority meeting.
- **October 14 Authority Meeting** – Present Final Proposed 10 Year Finance Plan. As necessary, discuss remaining gaps/issues.

Stakeholder and Agency Involvement

Below is an outline of the proposed approach for ensuring the above work products are informed by extensive stakeholder and agency involvement, insights and information.

Formal Finance Meeting Schedule

- Authority staff will convene open stakeholder and agency workshops (Public finance workshops referred to above) to ensure there are cross-cutting discussions with interested stakeholders to review progress and consider Program-wide integration issues.
- Open attendance; materials will be posted in advance on web; email reminders to those who demonstrated interest in this topic over the past year
- Seek feedback on evolving Finance Plan.

Ad Hoc Involvement

Support and participate in work groups that are interested in discussing the material in greater detail to ensure stakeholder/agency understanding, refine stakeholder/agency input into Authority deliberations and foster a bottoms-up discussion. It is expected that these work groups can and should take on different formats. For example:

- Stakeholder-driven groups such as water user discussions
- Briefings and discussions with standing BDPAC Subcommittees
- Authority initiated discussions with groups such as environmental water caucus.

Legislative Interim Hearings

- Legislative policy and budget Committees have expressed an interest in holding interim hearings on CALFED financing. If scheduled, the hearings are likely to be held in the Fall.

CALFED Bay-Delta Program 10-Year Funding Targets and Unmet Needs (\$ in millions) July 2, 2004											
Program Element / Years	Funding Targets		Available Funding							Unmet Needs	
	Cost Estimates	Adjusted for Inflation	State		Federal	Water User		Local	Total Avail.	Total Unmet	Avg. Annual
			GF	Bonds	Approps.	SWP	CVPIA RF				
Ecosystem Restoration	\$1,500.0	\$1,701.3	\$9.5	\$140.4	\$0.6	\$43.4	\$335.5	\$170.1	\$699.5	\$1,001.7	
Years 5-9	\$750.0	\$792.4	\$4.7	\$140.4	\$0.6	\$23.6	\$160.5	\$79.2	\$409.1	\$383.3	\$76.7
Years 10-14	\$750.0	\$908.9	\$4.7	\$0.0	\$0.0	\$19.8	\$175.0	\$90.9	\$290.4	\$618.4	\$123.7
Annual	\$150.0										
Environmental Water Account	\$360.7	\$416.1	\$0.0	\$114.9	\$8.0	\$0.0	\$0.0	\$0.0	\$122.9	\$293.2	
Years 5-9	\$194.1	\$208.5		\$114.9	\$8.0				\$122.9	\$85.6	\$17.1
Years 10-14	\$166.6	\$207.6		\$0.0	\$0.0				\$0.0	\$207.6	\$41.5
Annual	\$33.3										
Water Use Efficiency	\$1,836.6	\$2,236.3	\$14.4	\$273.2	\$12.4	\$0.0	\$0.0	\$1,367.8	\$1,667.9	\$568.4	
Years 5-9	\$966.6	\$1,093.2	\$7.2	\$264.7	\$12.4			\$666.1	\$950.5	\$142.7	\$28.5
Years 10-14	\$870.0	\$1,143.1	\$7.2	\$8.5	\$0.0			\$701.7	\$717.4	\$425.7	\$85.1
Annual	\$174.0										
Water Transfers	\$6.0	\$6.0	\$4.6	\$1.4	\$0.0	\$0.0	\$0.0	\$0.0	\$6.0	\$0.0	
Years 5-9	\$3.0	\$3.0	\$2.3	\$0.7					\$3.0	\$0.0	\$0.0
Years 10-14	\$3.0	\$3.0	\$2.3	\$0.7					\$3.0	\$0.0	\$0.0
Annual	\$0.6										
Watershed	\$100.0	\$123.0	\$1.0	\$46.0	\$0.0	\$0.0	\$0.0	\$12.3	\$59.3	\$63.7	
Years 5-9	\$50.0	\$57.3	\$0.5	\$46.0	\$0.0			\$5.7	\$52.2	\$5.1	\$1.0
Years 10-14	\$50.0	\$65.7	\$0.5	\$0.0	\$0.0			\$6.6	\$7.1	\$58.6	\$11.7
Annual	\$10.0										
Drinking Water Quality	\$215.0	\$264.4	\$2.3	\$3.2	\$0.0	\$0.0	\$0.0	\$0.0	\$5.6	\$258.8	
Years 5-9	\$107.5	\$123.1	\$1.2	\$3.2	\$0.0				\$4.4	\$118.7	\$23.7
Years 10-14	\$107.5	\$141.2	\$1.2	\$0.0	\$0.0				\$1.2	\$140.1	\$28.0
Annual	\$21.5										
Levees	\$404.8	\$491.5	\$0.1	\$40.5	\$0.2	\$0.0	\$0.0	\$20.7	\$61.5	\$429.9	
Years 5-9	\$193.8	\$217.7	\$0.1	\$40.5	\$0.2			\$20.7	\$61.5	\$156.2	\$31.2
Years 10-14	\$211.0	\$273.8	\$0.1	\$0.0	\$0.0			\$0.0	\$0.1	\$273.7	\$54.7
Annual	\$42.2										
Storage *	\$880.4	\$1,034.5	\$2.7	\$141.2	\$2.5	\$0.0	\$0.0	\$814.1	\$960.5	\$73.9	
Years 5-9	\$604.1	\$671.8	\$1.4	\$141.2	\$2.5			\$485.7	\$630.7	\$41.1	\$8.2
Years 10-14	\$276.4	\$362.7	\$1.4	\$0.0	\$0.0			\$328.5	\$329.8	\$32.8	\$6.6
Annual	\$55.3										
Conveyance	\$297.4	\$334.5	\$4.8	\$93.6	\$2.6	\$20.8	\$0.0	\$0.0	\$121.8	\$212.6	
Years 5-9	\$260.4	\$288.3	\$3.1	\$93.4	\$2.6	\$20.8			\$119.9	\$168.4	\$33.7
Years 10-14	\$37.0	\$46.2	\$1.7	\$0.2	\$0.0	\$0.0			\$1.9	\$44.3	\$8.9
Annual	\$29.7										
Science	\$430.0	\$528.8	\$0.0	\$43.4	\$39.6	\$62.0	\$7.0	\$2.0	\$154.0	\$374.8	
Years 5-9	\$215.0	\$246.3		\$39.5	\$19.8	\$31.0	\$3.5	\$1.0	\$94.8	\$151.5	\$30.3
Years 10-14	\$215.0	\$282.5		\$3.9	\$19.8	\$31.0	\$3.5	\$1.0	\$59.1	\$223.3	\$44.7
Annual	\$43.0										
Oversight & Coordination	\$100.0	\$123.0	\$72.1	\$0.0	\$1.5	\$0.0	\$0.0	\$0.0	\$73.6	\$49.4	
Years 5-9	\$50.0	\$57.3	\$36.1		\$1.5				\$37.6	\$19.7	\$3.9
Years 10-14	\$50.0	\$65.7	\$36.0		\$0.0				\$36.0	\$29.7	\$5.9
Annual	\$10.0										
Subtotal	\$6,131.0	\$7,259.2	\$111.5	\$897.9	\$67.4	\$126.3	\$342.5	\$2,387.0	\$3,932.6	\$3,326.6	
Years 5-9	\$3,394.5	\$3,758.9	\$56.5	\$884.6	\$47.6	\$75.5	\$164.0	\$1,258.4	\$2,486.6	\$1,272.3	\$254.5
Years 10-14	\$2,736.5	\$3,500.3	\$55.0	\$13.3	\$19.8	\$50.8	\$178.5	\$1,128.6	\$1,446.0	\$2,054.3	\$410.9
Annual	\$569.6										
* Includes funding for all surface storage projects through permitting. Funding for construction will be determined through future agreements.											

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